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Message Text

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15
ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 /117 W
---------- 083608
R 221225Z OCT 75
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 3895
INFO AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
AMEMBASSY BRASILIA
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY SEOUL
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
USMISSION OECD PARIS
USINT BAGHDAD

C O N F I D E N T I A L KUWAIT 4344

E.O. 11652: GDS
TAGS: ENRG KU
SUBJECT: KUWAIT OIL PRODUCTION DEVELOPMENTS

REF: (A) KUWAIT 3044 (NOTAL) (B) KUWAIT 3596 (7-95-))

1. EMBASSY HAS NOT BEEN ABLE OBTAIN JULY OIL PRODUCTION
STATISTICS FROM LOCAL SOURCES, AND AUGUST FIGURES
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ARRIVED LATER THAN USUAL. AS NOTED REF B PRODUCTION WAS

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LOW DURING MUCH OF AUGUST, BUT BY END OF MONTH AND THROUGH SEPTEMBER CONSUMERS RUSHED TO TAKE ADVANTAGE OF PRE-OPEC MEETING PRICES. AS RESULT THERE WERE SOME DAYS IN SEPTEMBER WHEN KUWAIT OIL COMPANY PRODUCTION WAS WELL OVER 3 MILLION BARRELS. IN SEPTEMBER KOC LOADED 86 TANKERS COMPARED TO 57 IN AUGUST.

2. TOTAL PRODUCTION FTI KUWAIT (INCLUDING AMINOIL AND KUWAIT SHARE OF AOC) IN AUGUST WAS 60,610,748 BARRELS OR JUST OVER 2 MILLION BPD. ESTIMATED TOTAL PRODUCTION IN SEPTEMBER WAS 81,000,000 OR 2.7 MILLION BPD. TOTAL KOC PRODUCTION IN AUGUST WAS 52,226,673 BARRELS OR APPROXIMATELY 1.6 MILLION BPD; IN SEPTEMBER IT ROSE TO 72,186,879 BARRELS OR 2.4 MILLION BPD, HIGHEST KOC LEVEL FOR SEVERAL MONTHS.

3. PRINCIPAL RECIPIENTS OF KOC CRUDE IN TWO MONTHS WERE:

COUNTRY	AUGUST	SEPTEMBER
JAPAN	12 MILLION BARRELS	17.7 MILLION BARRELS
NETHERLANDS	7 MILLION BARRELS	5 MILLION BARRELS
UK	3.8 MILLION BARRELS	7 MILLION BARRELS
KOREA	4.4 MILLION BARRELS	5.7 MILLION BARRELS
BRAZIL	3.7 MILLION BARRELS	3.8 MILLION BARRELS

NONE WAS EXPORTED TO US. MOST OF AOC'S PRODUCTION GOES TO JAPAN. TRADITIONALLY MOST OF AMINOIL'S PRODUCTION GOES THERE AS WELL, BUT ACCORDING TO COMPANY SOURCES FAIR AMOUNTS HAVE GONE TO EUROPEAN CUSTOMERS RECENTLY. MOST INTERESTING NEW DEVELOPMENT HAS BEEN EMERGENCE OF BRAZIL AS ONE OF LARGEST CUSTOMERS OF KUWAITI CRUDE WHICH IS RESULT OF PETROBRA DEAL WITH GOK.

4. COMMENT: NEAR TERM OUTLOOK FOR KUWAITI PRODUCTION NOT CLEAR. GOK PRESSING GULF AND BP TO TAKE 1.3 MILLION BPD OVER NEXT FIVE YEARS AS PART OF OVERALL SETTLEMENT IN CONNECTION WITH GOK TAKEOVER OF COMPANIES' INTERESTS IN KOC. SHELL (400,000 BPD), EXXON (100,000 BPD), KUWAITI USERS (ABOUT 300,000 BPD) AND OTHER CUSTOMERS (OVER 200,000 BPD) TOTALS ADD UP TO ANOTHER MILLION BPD AND SUGGEST TOTAL PRODUCTION OF 2.3 MILLION BPD FOR KOC ALONE. AT LEAST GULF, BP, SHELL AND EXXON LEVELS (I.E. 1.8 MILLION BPD OF TOTAL) NOT CERTAIN, HOWEVER, DUE TO CURRENT MARKETING SITUATION IN LIGHT RECENT OPEC CONFIDENTIAL

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PRICE INCREASES. RELATIVELY HIGH SULPHUR KUWAITI CRUDE MAY NOT BE COMPETITIVE AT $11,402 PRICE, BUT WHAT IS NOT CLEAR AT PRESENT IS WHETHER GOK WILL FIND WAYS TO REDUCE PRICE AND MAINTAIN PRODUCTION AT 2-2.3 MILLION BPD LEVEL OR WHETHER GOVERNMENT WILL REMAIN FIRM ON PRICES EVEN IF IT MEANS CUTTING PRODUCTION SIGNIFICANTLY BELOW 2 MILLION BPD CURRENT STANDARD LEVEL. IT SHOULD BE NOTED THAT WITHIN KUWAIT PARLIAMENT WHICH RECONVENES OCTOBER 28 SOME MEMBERS ARE PRESSING FOR

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NEW STANDARD PRODUCTION LEVEL OF 1.5 MILLION BPD FOR CONSER-
VATION REASONS. MATTER LIKELY BECOME CLEARER BY END OF
MONTH BY WHICH TIME PRICE/PRODUCTION TALKS WITH FOUR MAJORS
EXPECTED MAY BE COMPLETED.
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